Fluctuation in sensex

*32. SHRI RAJKUMAR DHOOT: Will the Minister of FINANCE be pleased to state:

(a) whether it is a fact that the high fluctuation in sensex after the results of recent Lok Sabha election was manipulated;

(b) if so, the details thereof;

(c) whether any steps have been taken by SEBI to prevent the same in future;

(d) if so, the details thereof; and

(e) if not, the reasons therefor?

THE MINISTER OF FINANCE (SHRI P. CHIDAMBARAM): (a) to (e) Securities and Exchange Board of India (SEBI) has informed that detailed investigations are continuing with regard to certain specific transactions which impacted the fluctuations in indices on and around May 17, 2004 and that regulatory action will be taken against any market player found to have resorted to any manipulation.

Inspite of significant volatility on two consecutive trading days (*i.e.*, on May 14 and May 17, 2004) the settlement and payment went through without any hitch, and there has been no broker default or broker failure. The robustness of the risk management system has been proven as the market withstood higher volatility as against the normal built in capacity of systems.

SEBI risk management policy provides for automatic trading halt in all the stock exchanges under certain conditions. As a result of the efficiency of the risk management system, real time monitoring of the broker positions, provision for automated disablement of terminals and market wide circuit breakers, the market could withstand the volatility of this magnitude without any disruption or settlement failure. In fact, the exchanges did not have to draw upon the settlement guarantee fund.

SEBI keeps under constant watch the developments in the capital markets in consultation with the stock exchanges, depositories and other agencies for detecting and preventing any manipulation and taking deterrent action.